

Interim Financial Report

**For the half-year ended
31 December 2018**



Contents

Directors' Report	3
Consolidated Statement of Profit or Loss and Other Comprehensive Income	11
Consolidated Statement of Financial Performance	12
Consolidated Statement of Changes in Equity	13
Consolidated Statement of Cash Flows	14
Notes to the Financial Statements	15
Directors' Declaration	23
Independent Auditor's Review Report	24
Auditor's Independence Declaration	25

Directors' Report

Your Directors submit their report for Vonex Limited ("Vonex" or "the Company") and controlled entities ("Consolidated Entity" or "Group") for the half-year ended 31 December 2018.

1. DIRECTORS

The Directors were in office for the entire period unless otherwise stated. The names of the consolidated entities Directors in office during the half-year and until the date of this report are as below:

Mr Nicholas Ong – Non-Executive Chairman

Mr Matt Fahey – Managing Director

Mr David Vilensky – Non-Executive Director

Ms Winnie Lai Hadad – Non-Executive Director

2. PRINCIPAL ACTIVITIES

The principal activity of the consolidated entity during the year has been the development of technologies in communications, including its established cloud hosted PBX system. One of our key R&D projects going forward is the Oper8tor app development. The Oper8tor App will eliminate the need for this as it aims to seamlessly link all voice calls across multiple platforms and devices around the world, as well as messaging, and by doing so will create an innovative piece of communication technology forcing notice. As at the end of the anticipated development, Oper8tor will look to be able to link mobile phones, land lines, and selected social media apps simultaneously into a single voice call.

Other activities include the year on year growth within our Retail and Wholesale Telco divisions.

3. RESULTS OF OPERATIONS

The financial results of the Group for the half-year ended 31 December 2018 are:

	31-Dec-18	31-Dec-17	% Change
Revenue (\$)	4,331,797	4,033,449	7%
Net loss after tax (\$)	(1,628,791)	(1,771,345)	8%
Loss per share (cents)	(1.09)	(1.36)	20%

4. DIVIDENDS

There have been no dividends declared or recommended and no distributions made to shareholders or other persons during the period.

5. REVIEW OF OPERATIONS

During the reporting period, the Company continued to develop and grow its established cloud hosted PBX system and retail customer base. Total group sales revenues rose by 9% during the reporting period.

The Retail division under the brand, Vonex Telecom, has continued to grow its sales revenues base achieved via the sale of IP hardware, full suite of telecommunication services including the provision of data, internet, voice (including IP voice) and billing services within Australia.

The Retail division has also undertaken numerous advancements in the automation of new customer service accounts received from our Channel Partners including the announcement regarding release of the Sign On Glass technology.

Directors' Report (continued)

The reporting period has seen the Retail division achieve a 9% increase in its total revenues along with a 10% net increase in customer accounts from July 2018 to December 2018. These solid results have been achieved solely on the back of stronger brand exposure and recognition.

The Wholesale division has also continued to grow its sales revenues achieved via the offering of wholesale "white-label" hosted PBX services under license to Internet Service Providers (ISPs), telcos and cloud vendors within Australia and Internationally. The reporting period has seen the Wholesale division achieve a 12% increase in its direct sales revenue along with a 24% increase in the user numbers hosted with Vonex.

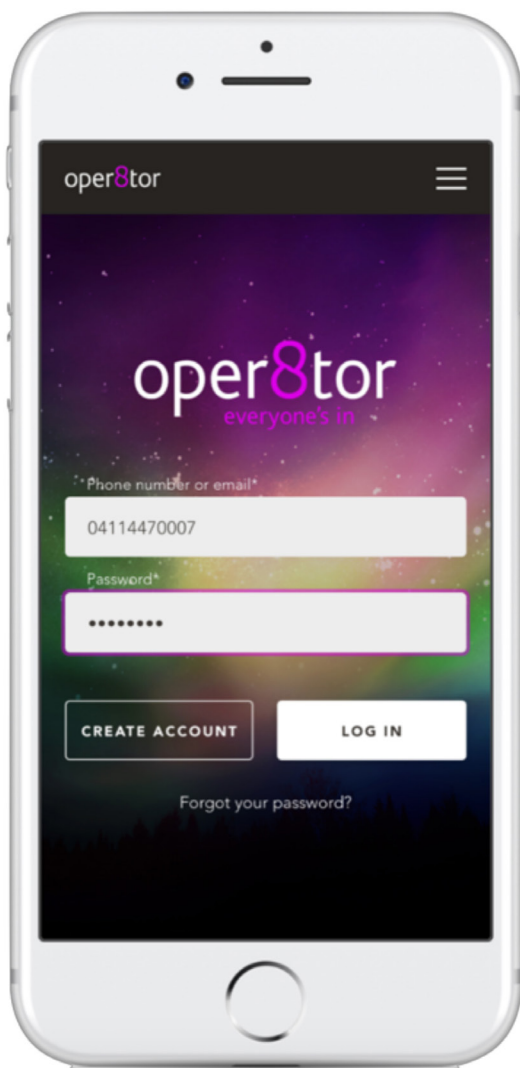


Figure 1. Oper8tor app design shown on iOS

Oper8tor Development

In June 2018 the Company announced the commencement of the development of Oper8tor, following the successful listing on ASX. Oper8tor will allow users to communicate seamlessly across digital platforms and geographies, removing what are traditional barriers in cross-platform calls and messaging.

Vonex is developing Oper8tor to target both consumer and business users. The app once successfully completed, is designed to allow users to be in the same phone call, message or video call using different social media or traditional networks all working together.

Directors' Report (continued)

The ASX announcement dated 9th October 2018 – “Vonex to commence beta testing of Oper8tor conference capability” – outlined the development focus being in four key areas, initially to have conference functionality followed by messaging, voice and finally video. The initial app will soon be available for download from both the Google Play Store and Apple App Store, anticipated by March 2019. Those that have pre-registered via the Oper8tor website are currently being invited to download the test version of the app.

Functionality of the Oper8tor app will expand as the four key development areas are completed by the development team, located in Melbourne Australia.

One of the crucial components developed to power the app and enable the Call Blast feature is Vonex's advanced new conference call platform, Oper8tor Switchboard. The Company designed Switchboard to handle and transcode tens of thousands of simultaneous calls between different platforms. Vonex has identified Oper8tor Conference as the ideal product through which to test and further develop Switchboard.

Oper8tor Conference

During the period Vonex advised that the focus of the initial Oper8tor development work was on building the conference component. This will allow customers to schedule and conduct conferences across the Public Switched Telephone Network (“PSTN”) and mobile phone networks.

Oper8tor Conference will focus on ease of use, allowing scheduling and joining of conferences with minimal hassle to consumer and enterprise users. Robust, scalable technologies, and sound planning and design practices, will allow for this component to handle substantial load, and provide a highly reliable service.

Built on the Call Blast technology that Vonex has specifically designed for Oper8tor, the conference component reinvents conference call thinking. The Company's user experience designers focused on the full process, starting from setting up a conference (scheduling, inviting participants etc), through to being an active participant, when the conference has completed.

To organise a conference, Vonex has developed a brand new interface that enables users to quickly and simply create single or recurring conference calls.

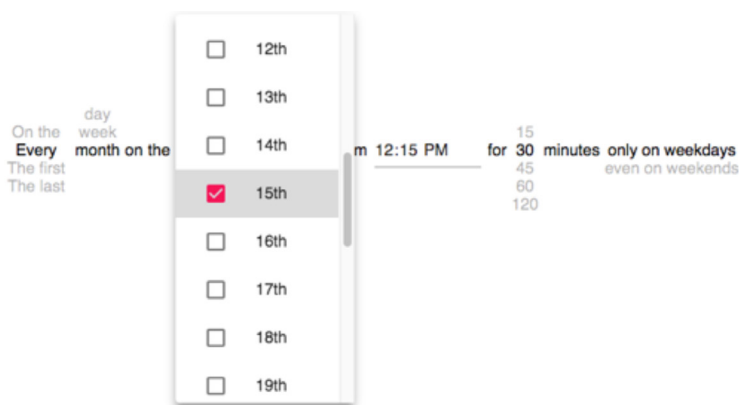


Figure 2. Oper8tor Conference module reinvents conference call thinking

Building on other Vonex developments such as Chrome Phone, Oper8tor allows joining of conferences using recent versions of Google Chrome, Mozilla Firefox or Microsoft Edge browsers without the need for any additional software downloads or installation.

Directors' Report (continued)

Vonex's Call Blast technology facilitates automatic joining of all participants to a conference. This brings the advantage of devices not previously registered with the platform not having to deal with lengthy PIN access codes, as is the case with competing providers, so users can join a call with minimal effort.

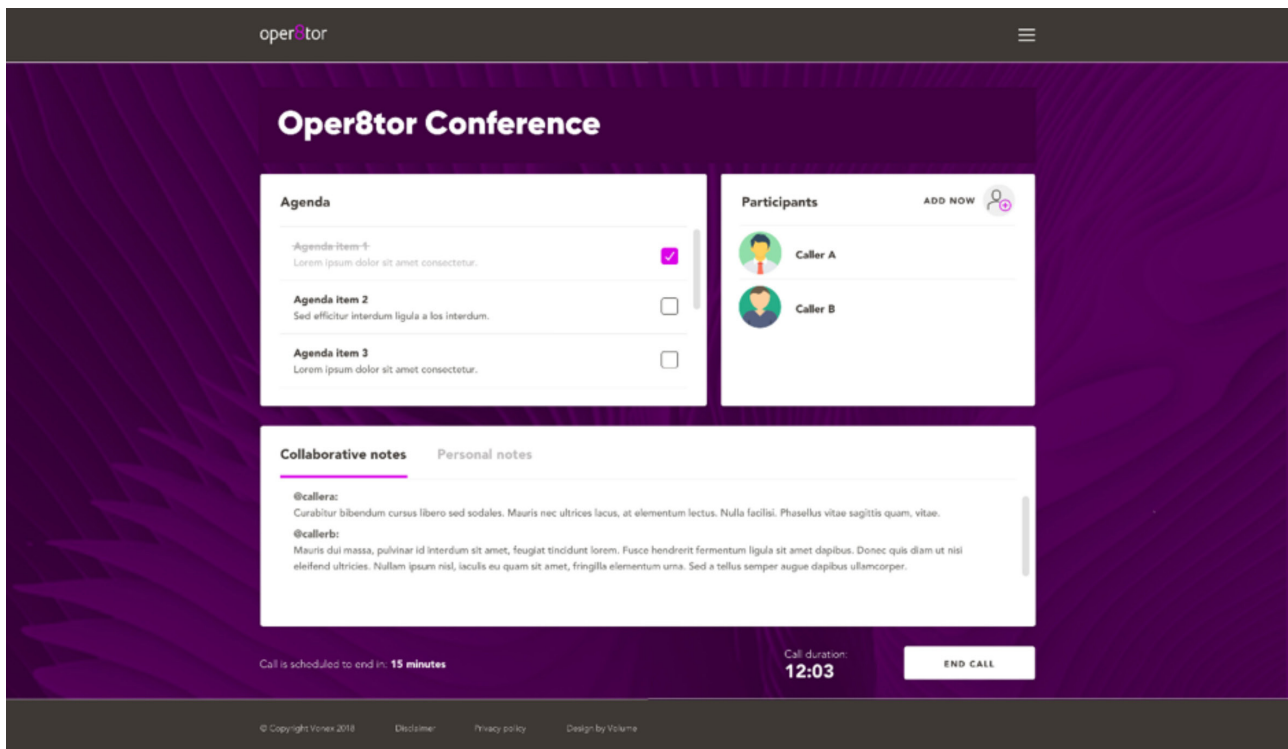


Figure 3. Real-time editing and collaboration with Oper8tor Conference

One of the powerful features of Oper8tor Conference is a real-time editor for shared and collaborative notes, enhancing collaboration between teams to a new level.

During the period, Vonex advised that beta testing of Oper8tor Conference saw Vonex successfully facilitate more than 1,000 conference calls in a month.

Oper8tor Conference is built on the WebRTC framework, which is a leading open source solution supported by Chrome, Firefox, Opera, Android and iOS. The framework is scalable, and with sound planning and design practices, Oper8tor Conference can handle substantial load and provide a highly reliable service to users. The iOS and Android app version of Oper8tor Conference was made available in December 2018, with testing of the browser version ongoing.

Directors' Report (continued)

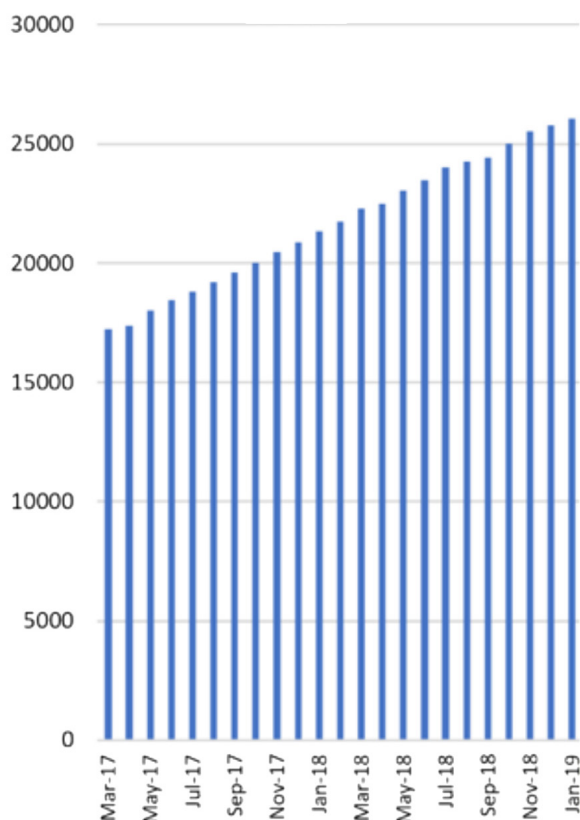
PBX registered user growth

Subsequent to the end of the reporting period on 29 January 2019, the Company advised that it continues to deliver consistent user growth, reaching a record 26,000 registered Private Branch Exchange (PBX) users as at 25 January 2019.

Growth in cloud-based PBX registrations is a key indicator of Vonex's business development progress as the Company deepens its penetration of the multibillion-dollar Australian market for telco services to small and medium enterprises.

In the last 12 months Vonex has grown its PBX userbase by approximately 22%, up from 21,000 users as at January 2018. Figure 4 below depicts the consistent growth in PBX registrations that Vonex has delivered over the past two years.

PBX Registrations – Last 2 Years



Factors driving this customer and user growth include the continued rollout of the NBN in metropolitan areas, Vonex's commencement in late 2018 of online marketing to all States after the completion of pilot marketing testing, and improved engagement with new and existing Channel Partners.

Vonex's Channel Partners are helping to accelerate growth in Vonex's business by selling the Company's proprietary technologies, including its cloud-based PBX and Vonex-branded traditional mobile, internet and business phone systems.

Registered PBX users are continuing to grow at a rate of approximately 500 users per month and are expected to accelerate as stage two of Vonex's marketing program gains traction, continuing to target the capital cities of Australia.

Figure 4: Vonex PBX registrations

Directors' Report (continued)

Launch of Sign On Glass

On 3 July 2018, Vonex announced the release of its latest technology, called Sign On Glass ("SOG"), to more efficiently manage the Company's new and existing customers. SOG is available on all internet enabled devices and facilitates the sign up, activation and ongoing management of customers. This SOG technology will be rolled out to the entire Channel Partner network and will provide more accurate provisioning and significantly reduce connection times, saving up to a week for typical orders.

Using the SOG portal, channel partners will be able to activate the entire range of products for their new and existing clients. Their existing client information will be available within the interface, so they can perform upgrades, additions and modifications.

The Company will continue to develop the product and will, in time, seek to provide a complete portal for the Channel Partner which will check product availability and site readiness prior to sign up. The technology will also automate the dispatch of hardware and provide various reports to the channel partner.

Vonex has commenced testing of these advanced features with hundreds of test applications to date used by the development team. Vonex will continue to assess the performance of the SOG platform with both live customer data and testing of advanced features and will keep investors informed of ongoing upgrades to the platform.

CounterPath strategic partnership

On 2 August 2018, the Company announced a strategic partnership with NASDAQ and TSX listed CounterPath, a global provider of award-winning Unified Communications solutions for enterprises and service providers. The CounterPath product suite includes Bria 5, which leverages over 10 years of softphone experience and replaces the need for a telephone to connect to a VoIP phone service, or hosted PBX extension. Its Stretto Platform™ enables the provisioning of desktop and mobile VoIP software. CounterPath Bria software is used by millions of users across the globe.

The partnership agreement sees Vonex and CounterPath collaboratively work on new customer growth in Australia. For Vonex, this could open up much larger opportunities to work with enterprise clients previously not targeted, plus enable Vonex to expand its offering to existing business, enterprise and channel customers.

Directors' Report (continued)

Vonex Phone App Launched for PBX On-the-Go Functionality

During the period Vonex announced the launch of the Vonex Phone app for iOS, Android, Windows and Mac. The Vonex Phone app is underpinned by CounterPath's Bria software and is the first initiative under the CounterPath joint marketing and distribution agreement formed in the first quarter of FY19.

Hosted phone system users can download the app software to their mobile devices free of charge, connecting them to their business phone systems anywhere in the world via WiFi or mobile data. Users can also download the desktop software free of charge for their operating system within the web browser.

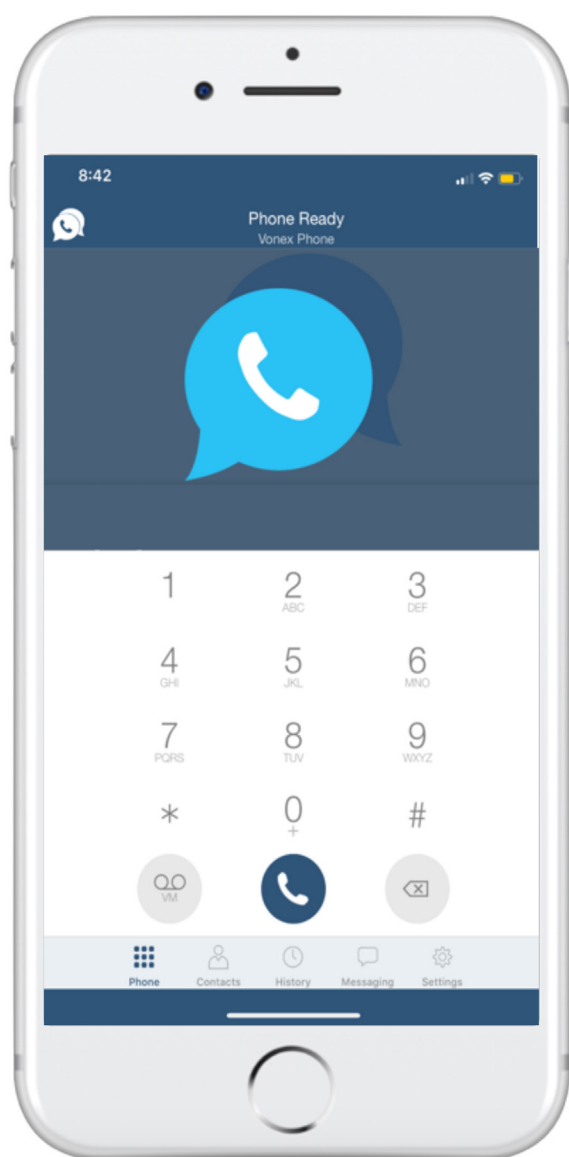


Figure 5: Vonex Phone App

The software provides full access to the features and benefits of Vonex's hosted PBX platform, including making and receiving calls from a landline number, the ability to access full call history and contacts, send instant messages to other users, have music on hold, and managing calls via auto attendants.

Each license key enables users to use the Vonex Phone on 2 separate devices simultaneously. Vonex Phone is available for activation via the Sign On Glass provisioning platform which will send customers a simple username and password to sign in, making the set up very easy.

A range of subscription plans are available via Vonex's Retail division, where users can pay for phone calls on a per minute or per call basis, or via a recurring monthly subscription which includes unlimited phone calls.

Via the Wholesale division, this product will generate additional wholesale PBX registration fees for each device that is registered to the platform.

As an enterprise grade solution, Vonex Phone is now available for Enterprise and Government clients, where high scalability, mobility and unified communication systems are all key drivers of adoption, potentially opening up new opportunities not previously targeted.

Vonex Phone is backed by the Company's real time support, with average wait times of just 30 seconds to the support team, however it is worth noting the Company is extremely pleased with the ease of use of this new product.

Directors' Report (continued)

R&D Tax Rebate

Subsequent to the period on 9 February 2019, the Company received its R&D tax offset rebate of \$313,760 relating to the 2017/2018 financial year.

Share Sale Facility

On 25 June 2018, the Company established a sale facility for shareholders with holdings valued at less than A\$500 ("Sale Facility"). The Sale Facility enabled eligible shareholders to sell their Vonex shares without incurring any brokerage or handling costs. This initiative substantially reduces administration costs incurred by Vonex.

The final number of shares sold under the Sale Facility was 1,295,709 ordinary shares from 1,022 shareholders which represented approximately 41% of the total number of shareholders. Settlement of the Facility shares and despatch of cheques occurred by 30 August 2018.

6. AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 has been received and is included within the Interim Financial Report.

Signed in accordance with a resolution of the Board of Directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Matt Fahey

Managing Director

Dated this 28th day of February 2019

Consolidated statement of profit or loss and other comprehensive income

	NOTE	31-DEC-18 \$	31-DEC-17 \$
Sales revenue	3	4,272,120	3,926,604
Cost of sales		2,713,869	(2,490,600)
Gross profit		1,558,251	1,436,004
Other revenues	4	59,677	106,845
Administration expenses		(574,161)	(309,288)
Amortisation		(45,573)	(37,801)
Depreciation expenses		(31,094)	(18,396)
Directors fees		(118,260)	(103,286)
Finance costs		(770)	(275,501)
Share based payment expense		(458,513)	(1,298,241)
Employee expenses		(1,424,018)	(764,490)
Other expenses	5	(594,330)	(507,191)
Loss before income tax		(1,628,791)	(1,771,345)
Income tax expense		-	-
Net loss for the period		(1,628,791)	(1,771,345)
Other comprehensive income / (loss)			
Items that may be reclassified subsequently to profit or loss			
Other comprehensive income / (loss) for the year, net of tax		-	-
Total comprehensive loss for the period		(1,628,791)	(1,771,345)
Basic and diluted earnings per share of loss attributable to the owners of Vonex Limited (cents per share)		1.09	1.36

The accompanying notes form part of this interim financial report

Consolidated statement of financial position

	NOTE	31-DEC-18 \$	30-JUN-18 \$
CURRENT ASSETS			
Cash and cash equivalents		3,865,396	5,223,854
Trade and other receivables		529,770	686,142
Other current assets		357,716	59,637
TOTAL CURRENT ASSETS		4,752,882	5,969,633
NON-CURRENT ASSETS			
Intangible assets	6	996,317	1,035,103
Property, plant and equipment		174,864	135,020
Other non-current assets		73,981	46,566
TOTAL NON-CURRENT ASSETS		1,245,162	1,216,689
TOTAL ASSETS		5,998,044	7,186,322
CURRENT LIABILITIES			
Trade and other payables		1,575,453	1,613,885
Provisions		323,382	338,172
Borrowings		2,230	29,080
TOTAL CURRENT LIABILITIES		1,901,065	1,981,137
NON-CURRENT LIABILITIES			
Provisions		149,670	125,878
TOTAL NON-CURRENT LIABILITIES		149,670	125,878
TOTAL LIABILITIES		2,050,735	2,107,015
NET ASSETS		3,947,309	5,079,307
EQUITY			
Issued capital	7	45,429,412	45,242,507
Reserves		2,663,492	2,353,604
Accumulated losses		(44,145,595)	(42,516,804)
TOTAL EQUITY		3,947,309	5,079,307

The accompanying notes form part of this interim financial report

Consolidated statement of changes in equity

	Issued Capital	Accumulated Losses	Reserves	Total
	\$	\$	\$	\$
At 1 July 2017	22,301,567	(27,803,402)	2,331,458	(3,170,377)
Comprehensive income:				
Loss for the period	-	(1,771,345)	-	(1,771,345)
Total comprehensive (loss) for the period	-	(1,771,345)	-	(1,771,345)
Transactions with owners, in their capacity as owners				
Issue of shares (net of costs)	1,025,203	-	-	1,025,203
Share-based payment – performance shares and rights	-	-	1,298,241	1,298,241
At 31 December 2017	23,326,770	(29,574,747)	3,629,699	(2,618,278)
At 1 July 2018	45,242,507	(42,516,804)	2,353,604	5,079,307
Comprehensive income:				
Loss for the period	-	(1,628,791)	-	(1,628,791)
Total comprehensive (loss) for the period	-	(1,628,791)	-	(1,628,791)
Transactions with owners, in their capacity as owners				
Issue of shares (net of costs)				
-Share based payments	148,625	-	-	148,625
-Settlement of trade payables	38,280	-	-	38,280
Share-based payment – performance shares and rights	-	-	309,888	309,888
At 31 December 2018	45,429,412	(44,145,595)	2,663,492	3,947,309

The accompanying notes form part of this interim financial report

Consolidated statement of cash flows

	31-DEC-18	31-DEC-17
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	4,457,223	4,075,814
Payments to suppliers and employees	(5,703,692)	(4,097,724)
Interest paid	(770)	(58,600)
Interest received	11,560	2,025
Net cash used in operating activities	(1,235,679)	(78,485)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(93,061)	(669)
Payment for research and development (intangibles)	(6,787)	(3,200)
Net movement in bonds	3,919	-
Net cash used in investing activities	(95,929)	(3,869)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net (payment)/ proceeds from borrowings	(26,850)	446,760
Net cash (used)/ received in financing activities	(26,850)	446,760
Net (decrease)/increase in cash and cash equivalents	(1,358,458)	364,406
Cash and cash equivalents at the beginning of the financial year	5,223,854	384,624
Cash and cash equivalents at end of the financial year	3,865,396	749,030

The accompanying notes form part of this interim financial report

Notes to the consolidated financial statements

1. BASIS OF PREPARATION OF THE INTERIM FINANCIAL REPORT

Basis of Preparation

These general purpose financial statements for the interim half-year reporting period ended 31 December 2018 have been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards including AASB 134: "Interim Financial Reporting". Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 134 "Interim Financial Reporting".

This interim financial report does not include full disclosures of the type normally included in an annual report. It is recommended that this interim financial report be read in conjunction with the annual financial report for the year ended 30 June 2018 and any public announcements made by Vonex Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

A summary of the material accounting policies adopted by the consolidated entity in the preparation of the financial report can be found in the annual financial report for the year ended 30 June 2018. The accounting policies have been consistently applied, unless otherwise stated.

New and Revised Accounting Standards and Interpretations

The consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The adoption of these new and revised Accounting Standards and Interpretations has not resulted in a significant or material change to the consolidated entity's accounting policies.

Any new or amended Accounting Standards or interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 15 Revenue from Contracts with Customers

The consolidated entity has adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

There is no material impact on the financial performance and position of the consolidated entity from the adoption of this Accounting Standard.

Notes to the consolidated financial statements

1. BASIS OF PREPARATION OF THE INTERIM FINANCIAL REPORT (continued)

Revenue recognition

The consolidated entity recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability.

Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Rendering of services

Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Notes to the consolidated financial statements

2. SEGMENT INFORMATION

Identification of reportable segments

The Group has identified its operating segments based the Group's service offerings, which represents retail and wholesale services within the telecommunications industry. The two main operating segments are:

Retail: engaged in the sale of hardware and the full suite of telecommunication services including the provision of data, internet, voice (including IP voice) and other services within Australia.

Wholesale: engaged in offering wholesale "white-label" hosted PBX services under license for Internet Service Providers ("ISP's"), Telco's and Cloud Vendors within Australia and Internationally.

Corporate: engaged in managing the corporate affairs of the Group, including capital-raising and listing endeavours.

Basis of accounting for purposes of report by operating segments

Unless stated otherwise, all amounts reported within the operating segments are by determined in accordance with accounting standards adopted within the annual financial report.

Segment assets and liabilities

Segment assets and liabilities have been identified based where the direct relationship that exists in the provision of services within the two main operating segments.

Unallocated items

Items of revenue, expense, assets and liabilities that are not allocated to operating segments if they are considered part of the core operations of any segment.

The segment information provided to the Board of Directors for the reportable segments for the period ended 31 December 2018 are as follows:

31 December 2018	Wholesale	Retail	Corporate	Consolidated
	\$	\$	\$	\$
<i>Revenue</i>				
Customer sales	577,740	3,694,380	-	4,272,120
Other revenues	5,683	12,798	29,636	48,117
Interest received	2,320	1,012	8,228	11,560
Total segment revenue	585,743	3,708,190	37,864	4,331,797
Segment result before income tax	36,854	226,337	(1,891,982)	(1,628,791)
Loss before income tax				(1,628,791)
Segment assets	138,092	1,742,289	4,117,663	5,998,044
Total assets				5,998,044
Segment liabilities	240,549	1,212,148	598,038	2,050,735
Total Liabilities				2,050,735

Notes to the consolidated financial statements

2. SEGMENT INFORMATION (Continued)

31 December 2017	Wholesale	Retail	Corporate	Consolidated
	\$	\$	\$	\$
<i>Revenue</i>				
Customer sales	515,271	3,411,333	–	3,926,604
Other revenues	17,500	–	87,319	104,819
Interest received	–	1,030	996	2,026
Total segment revenue	532,771	3,412,363	88,315	4,033,449
Segment result before income tax	63,445	546,498	(2,381,288)	(1,771,345)
Loss before income tax				(1,771,345)
Segment assets	152,948	1,024,515	1,587,852	2,765,315
Total assets				2,765,315
Segment liabilities	408,751	989,903	3,984,939	5,383,593
Total Liabilities				5,383,593

31 December 2018	Wholesale	Retail	Corporate	Consolidated
	\$	\$	\$	\$
EBITDA	44,332	233,835	(1,841,081)	(1,562,914)
Depreciation and amortisation				(76,667)
Interest revenue				11,560
Finance costs				(770)
Loss before income tax expense				(1,628,791)
Income tax expense				–
Loss after income tax expense				(1,628,791)

31 December 2018	Wholesale	Retail	Corporate	Consolidated
	\$	\$	\$	\$
EBITDA	74,051	551,622	(2,067,345)	(1,441,672)
Depreciation and amortisation				(56,197)
Interest revenue				2,025
Finance costs				(275,501)
Loss before income tax expense				(1,771,345)
Income tax expense				–
Loss after income tax expense				(1,771,345)

Notes to the consolidated financial statements

3. REVENUE

	31-DEC-18	31-DEC-17
	\$	\$
<i>Revenue from customers</i>		
Sales revenue	4,272,120	3,926,604

Disaggregation of revenue

The disaggregation of revenue from customers is as follows:

Consolidated - 31 December 2018	Wholesale	Retail	Corporate	Consolidated
	\$	\$	\$	\$
<i>Major service lines</i>				
Telephony	2,834,553	-	-	2,834,553
Internet	636,629	-	-	636,629
Hardware	223,198	-	-	223,198
Hosted PBX	-	577,740	-	577,740
	3,694,380	577,740	-	4,272,120
<i>Geographical regions</i>				
Australia	3,694,380	552,452	-	4,246,832
United States of America	-	25,288	-	25,288
	3,694,380	577,740	-	4,272,120

Consolidated - 31 December 2017	Wholesale	Retail	Corporate	Consolidated
	\$	\$	\$	\$
<i>Major service lines</i>				
Telephony	2,709,693	-	-	2,709,693
Internet	483,501	-	-	483,501
Hardware	218,139	-	-	218,139
Hosted PBX	-	515,271	-	515,271
	3,411,333	515,271	-	3,926,604
<i>Geographical regions</i>				
Australia	3,411,333	491,925	-	3,903,258
United States of America	-	23,346	-	23,346
	3,411,333	515,271	-	3,926,604

Notes to the consolidated financial statements

4. OTHER REVENUES

	31-DEC-18	31-DEC-17
	\$	\$
Interest received	11,560	2,025
Debt forgiveness	18,924	47,534
Other income	29,193	57,286
	<u>59,677</u>	<u>106,845</u>

5. OTHER EXPENSES

	31-DEC-18	31-DEC-17
	\$	\$
Audit fees	36,416	52,000
Bad and doubtful debts expenses	461	17,981
Contractor expenses	274,798	158,719
Insurance expense	21,276	19,032
Legal fees	39,005	29,455
Loss on disposal of non-current assets	22,123	-
Occupancy expenses	130,576	135,544
Repairs and maintenance	4,534	-
Travel expenses	65,141	94,460
	<u>594,330</u>	<u>507,191</u>

6. INTANGIBLE ASSETS

	31-DEC-18	30-JUN-18
	\$	\$
Customer List – at cost	720,081	720,081
Less: Accumulated amortisation	(408,192)	(372,151)
	<u>311,889</u>	<u>347,930</u>
 Borrowing Costs – at cost	 1,762	 1,762
Less: Accumulated amortisation	(1,451)	(1,080)
	<u>311</u>	<u>682</u>
 Intellectual Property Patent – Oper8tor	 600,000	 600,000
	<u>600,000</u>	<u>600,000</u>
 Patents and Trademarks – at cost	 102,306	 95,520
Less: Accumulated amortisation	(20,260)	(11,100)
	<u>82,046</u>	<u>84,420</u>
 Domain name acquisition	 2,071	 2,071
	<u>2,071</u>	<u>2,071</u>
	<u>996,317</u>	<u>1,035,103</u>

Notes to the consolidated financial statements

7. ISSUED CAPITAL

a) Ordinary Shares

	31-DEC-18		30-JUN-18	
	\$	No.	\$	No.
Fully paid ordinary shares	45,429,412	148,885,560	45,242,507	147,596,560

	\$	No.	Issue price \$
Balance at 30 June 2018	45,242,507	147,596,560	
Movement in ordinary shares			
Shares issued – Share based payments	148,625	1,025,000	0.145
Shares issued in settlement of trade payables	38,250	264,000	0.145
Balance at 31 December 2018	45,429,412	148,885,560	

b) Options

As at the reporting date the company had the following listed and unlisted option on issue:

Grant date	Expiry date	Exercise price	Balance at end of period
30/08/2017	03/08/2020	\$0.90	133,750
07/06/2018	07/06/2020	\$0.20	7,500,000
07/06/2018	07/06/2023	\$0.30	14,500,000
30/11/2017	30/11/2022	\$0.20	14,719,731
			36,853,481

8. CONTINGENT ASSETS AND LIABILITIES

There are no contingent assets and liabilities at the reporting date.

Notes to the consolidated financial statements

9. EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to the Period on 14 February 2019 the Company advised that 50,000 performance rights held by Vodia Networks Inc. ("Vodia") converted into ordinary shares following the anniversary date of the Company's agreement with Vodia. Vodia has 100,000 performance rights remaining that will convert into ordinary shares over the next two anniversary dates of the agreement, being 1 July 2019 and 1 July 2020.

On 9 February 2019, the Company received its Research and Development tax offset of \$313,760 relating to the 2017/2018 financial year.

Other than the above there are no other matters or circumstances that have arisen since 31 December 2018 that have or may significantly affect the operations, results, or state of affairs of the consolidated entity in future financial periods.

10. COMMITMENTS

Operating Lease Commitments

	31-DEC-18	30-JUN-18
	\$	\$
Payable:		
No later than twelve months	243,284	266,767
One to five years	585,318	180,924
Greater than five years	-	-
	828,602	447,691

Amount shown are GST inclusive, where applicable.

Directors' declaration

The Directors of Vonex Limited declare that:

1. The consolidated financial statements and notes, as set out in this half-year financial report:
 - a. Comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - b. Give a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date.
2. In the Director's opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The declaration is made in accordance with a resolution of the Board of Directors made pursuant to section 303(5) (a) of the Corporations Act 2001.

On behalf of the directors



Matt Fahey

Executive Director

Dated this 28th day of February 2019

RSM Australia Partners

Level 32, Exchange Tower
2 The Esplanade Perth WA 6000
GPO Box R1253 Perth WA 6844

T +61 (0) 8 9261 9100
F +61 (0) 8 9261 9111

www.rsm.com.au

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
VONEX LIMITED**

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Vonex Limited which comprises the statement of financial position as at 31 December 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Vonex Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

Liability limited by a scheme approved under Professional Standards Legislation

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Vonex Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

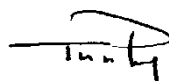
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Vonex Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



RSM AUSTRALIA PARTNERS



TUTU PHONG
Partner

Perth, WA
Dated: 28 February 2019



RSM Australia Partners

Level 32, Exchange Tower
2 The Esplanade Perth WA 6000
GPO Box R1253 Perth WA 6844

T +61(0) 8 92619100
F +61(0) 8 92619111

www.rsm.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Vonex Limited for the half-year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

RSM AUSTRALIA PARTNERS

TUTU PHONG
Partner

Perth, WA
Dated: 28 February 2019

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

Liability limited by a scheme approved under Professional Standards Legislation